Motilal Oswal Financial Services Limited
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May 03, 2023

BSE Limited
P. J. Towers,
Dalal Street, Fort,
Mumbai - 400001
Security Code: 532892

National Stock Exchange of India Limited
Exchange Plaza, Plot No. C/1, G Block,
Bandra-Kurla Complex, Bandra (E),
Mumbai - 400051
Symbol: MOTILALOFS

Sub.: Transcript of Earnings Conference Call with Investor(s)/ Analyst(s)

Dear Sir/ Madam,

This is with reference to our earlier letter dated April 20, 2023 regarding intimation of Earnings Conference Call ("Con-call") with Investor(s)/ Analyst(s) on April 28, 2023 to discuss financial performance for Q4 FY 2022-23.

In this regard, pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations") (as amended from time to time), please find enclosed herewith the transcript of the said Con-call for your reference.

The said transcript of the said Con-call is made available on the Company's website i.e. https://www.motilaloswalgroup.com/Downloads/IR/1212942781MOFSL_Con-Call-Transcript_Q4FY23.pdf

Further, we hereby confirm that no unpublished price sensitive information was shared or discussed during the said Con-call.

Kindly take the same on record.

Thanking you,

Yours faithfully,

For Motilal Oswal Financial Services Limited

Kailash Chunnilal Purohit
Digitally signed by Kailash Chunnilal Purohit
Date: 2023.05.03 19:26:05 +05'30'

Kailash Purohit
Company Secretary & Compliance Officer
Encl: As above

Motilal Oswal Financial Services

ConCall Summary & Earnings Release

Q4FY23 & FY23

28th April, 2023

For a deeper insight into the company's performance and the management's expectations, we present extracts from the post-results conference call. We have edited and rearranged the transcript for greater lucidity. This presentation is available at www.motilaloswalgroup.com

Corporate Participants

Mr Raamdeo Agrawal
Chairman

Mr Motilal Oswal
MD & CEO

Mr Navin Agarwal
Director & CEO- AMC

Mr Ajay Menon
CEO- Broking

Mr Ashish Shanker
CEO- Wealth Management

Mr Shalibhadra Shah
Chief Financial Officer

Mr Chetan Parmar
Head- Investor Relations

Moderator: Good afternoon, ladies, and gentlemen. Welcome to the Q4FY23 Earnings Conference Call for Motilal Oswal Financial Services Limited. We have with us today Mr. Raamdeo Agrawal, Chairman; Mr. Motilal Oswal, Managing Director; Navin Agarwal, Director and CEO, AMC; Mr. Ajay Menon, CEO, Broking; Mr. Ashish Shanker, CEO, Wealth Management; Mr. Shalibhadra Shah, Chief Financial Officer; Mr. Chetan Parmar, Head of Investor Relations.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded. I now invite Mr. Navin Agarwal to make his opening remarks. Thank you, and over to you, sir.

Navin Agarwal: Good afternoon, everybody. It's my pleasure to welcome all of you to Motilal Oswal Financial Services concall for the quarter and year ending March 2023. I'll start by highlighting a few achievements for the year. During the year, we had recorded highest ever profit after tax for our capital markets business at Rs 505 crores. The asset under management for our Asset Management, Wealth Management, Private Equity businesses collectively crossed Rs 1 lakh crores mark. Within that, the wealth business had the highest ever net sales at about Rs 5,810 crores. In the housing finance business, disbursements crossed Rs 1,000 crores mark during the financial year.

Let me now take you through some of the highlights of operation and financial performance. Our operating profit after tax for FY23 grew by 6% YoY to Rs 879 crores, and for the quarter was at Rs 233 crores. Capital Market business profit was Rs 505 crores for FY23 and Rs 135 crores for Q4FY23. Asset and Wealth businesses earned Rs 258 crores PAT for FY23 and Rs 66 crores for Q4FY23. Housing finance business reported a profit after tax of Rs 133 crores for FY23 and Rs 31.5 crores for Q4FY23.

Consolidated net worth of the group stood at Rs 6,250 crores. Net debt was at Rs 6,630 crores. Our debt equity ratio stood at 1.6x. And excluding the Home Finance business, the debt equity ratio stood at 1.4x. We declared a final dividend of Rs 3 per share and including the interim dividend, the total dividend for the year stands at Rs 10 per share. Effectively, our dividend pay-out policy, including the buyback for the last couple of years stands at about 28%.

Turning now to individual businesses, starting with the Capital Market business. This business reported revenues of Rs 745 crores for Q4FY23, which is up by 8% YoY and Rs 2,833 crores for FY23, which is up by 11% YoY. Profit mix stood at Rs 135 crores in Q4FY23, led by healthy volume growth of 10% QoQ and almost 2.6 times on YoY basis. Retail F&O market share improved by 116 basis points on a YoY basis.

Retail Broking business acquired 6.5 lakh clients during the year, following traction in digital channel. NSE active clients stood at 8.1 lakhs as of Mar-23, and our rank improved to 8 in terms of active clients. Our distribution AUM grew to Rs 21,300 crores, up by 17% YoY. Distribution net sales was Rs 1,280 crores in FY23. Given the 55 lakh client base of our group, we see improved headroom for cross-sell. Insurance premium was an area of focus. This business reported a Rs 120 crores premium income, which is up by 120% YoY.

Currency business market share improved by 700 bps YoY and 360 bps QoQ to 18.5% in Q4FY23. We added over 1,100 franchisees during the year, taking our total franchisee count to a tad over 8,000. Our institutional equities team continues to report leading ranks in the Asiamoney Brokers Poll 2022 as well with number one rank in corporate access and number two rank in sales and execution.

Turning to the Asset and Wealth businesses, we crossed the Rs 1 lakh crores AUM mark across these businesses. The net yield for these businesses stood at 75 bps on this Rs 1 lakh crores AUM. The Asset Management business reported revenues of Rs 131 crores for Q4FY23 and Rs 555 crores for FY23. The mutual fund AUM stood at just a tad under Rs 30,000 crores. We've seen turnaround in the active mutual fund scheme performances. Five out of the seven schemes are ranked in top quartile. This has led to an improvement in cross-sell and a decline in redemptions.

We added 91,000 new SIP clients in Q4FY23, up by nearly 40% QoQ. SIP flows market share improved by 30 bps QoQ. Our share of alternate assets comprising of PMS, AIF stands at about 35%. As far as the private equity business is concerned, the fee earning AUM crossed Rs 10,000 crores. Revenues grew by 18% YoY to Rs 55 crores in Q4FY23 and 36% YoY to Rs 177 crores in FY23.

Wealth Management business AUM grew by 51% YoY to Rs 52,000 crores. We had strong net sales of Rs 5,800 crores, up by 8% YoY. Our revenues grew by 37% YoY to Rs 66 crores for Q4FY23 and by 14% YoY to Rs 223 crores for FY23. We had a gross relationship manager addition of 63 in the last 12 months, taking the total RM count to 182. We'll continue to invest in this business by further RM additions. The overall Asset and Wealth business revenues stood at Rs 252 crores in Q4FY23 and Rs 955 crores for FY23. Our profit stood at Rs 66 crores for Q4FY23 and Rs 258 crores for FY23.

Turning to the Housing Finance business, we reported a full year profit of Rs 133 crores, up by 44% YoY and Rs 31.5 crores for Q4FY23 Our NII grew by 9% YoY. NIM expanded by 37 bps YoY to 7.7%. Disbursements grew by 57% YoY to over Rs 1,000 crores in FY23. We believe that the runway for growth in disbursements in this business is meaningful. Our yield on advances stood at 13.9% for the full year. Cost of funds were down 24 bps to 8%, and as a result, the spread expanded by 21 bps to 5.9%.

Our collection efficiency continued to see improvement, coupled with declining bounce rates. Our gross NPAs at the end of the year stood at 1.1%, led by 101% collection efficiency in the fourth quarter. We increased our rates by 50 bps effective 1st of April 2023 and have cumulatively raised our rates by 100 bps till date. The net gearing for the business still is quite low at 2.2 times and our Tier 1 capital adequacy for this business remains robust at 50%.

Turning to our fund-based activities. We have total investments, including unrealized gains of Rs 4,630 crores as of the end of the year. Within this, the total equity investments, including alternate funds is at Rs 4,280 crores and cumulative XIRR since we started making these investments stand at above 16%.

To sum up, we have delivered a reasonable performance in FY23 despite market headwinds. The Retail Booking business continued to consolidate its market position by adding 1,100 plus franchise and improving its market share through the digital initiatives and also benefiting from market expansion, particularly on the F&O side and industry consolidation that is underway. We continue to focus on our strategy to diversify our businesses towards more linear sources of revenues. Asset and Wealth businesses crossed Rs 1 lakh crores AUM. Asset Management business saw improvement in performance. Our Wealth Management business is on its way to achieve scale as we have strengthened our leadership team and continued investments in Relationship Managers. Our PE business has successfully achieved fund raise of its largest ever equity growth fund. Our Housing finance business has witnessed turnaround by improving disbursements and profitability parameters and is now geared up for sustainable growth. We believe that each of these businesses have meaningful headroom to grow in the coming years. Thank you, and we are now open to Q&A.

Moderator: Thank you. We have a question from the line of Vivek Ramakrishnan from DSP Mutual Fund.

Vivek Ramakrishnan: In the broking business, which is the largest business, on margin funding side, are you seeing margin pressures because we've seen that interest income has grown far lower than the interest expense? And do you think that in this business, given the fact that there was some volatility in the markets, will find difficulty in growing the lending book? So, this is question number one. And question number two, I'm just trying to reconcile in the housing finance business, the AUM doesn't seem to have grown so much though the disbursements seem to have grown. Is it more back ended? Are higher interest rates causing any slowdown in growth? And how do you see this business going forward? That's it from my side. Thanks.

Shalibhadra Shah: Hi, Vivek. On your first question on the broking business, the overall margin funding book, if you see YoY, this book has grown almost 50% for us. And secondly, in terms of the overall NIM, the borrowings are dependent on short-term sources in case of margin funding, given the very nature of this lending. So, the interest rates have got repriced, the impact of that is almost 100 bps on the NIM in the current financial year, but we have seen higher growth in the book to compensate for that. So, overall, net-to-net, the NII is up 25% on this book.

On the housing finance side, we disbursed more than Rs 1,000 crores in FY23 and Rs 360 crores in Q4FY23. Overall there is a prepayment rate of about 18-19% of the AUM and one of the major reasons for that was also the CLSS subsidy, which came to us in this financial year.

Moderator: Our next question comes from the line of Vinod Chandra Agarwal, an Individual investor. Please go ahead.

Vinod Agarwal: Yes, thanks for the opportunity. I have few questions about brokerage business. In the last concall you said our cost of acquisition of client is around Rs 2,500 per client. And I think we have added around 6.5 lakh clients. So, just want to know where to find this Rs 160 crores in the Annual Report.

Shalibhadra Shah: So you're talking about the acquisition cost, which is incurred? So that line item comes under the other expenses under marketing and brand promotion costs in the Annual Report.

Vinod Agarwal: Okay, and will you be able to provide any rough bifurcation of how much you spend on brokerage reversal or like direct acquisition cost kind of?

Shalibhadra Shah: So, whatever the cost for lead generations are fully classified under that head along with the other marketing costs. So, overall run rate of this cost has been to the tune of around Rs 4 crores a month in this financial year.

Vinod Agarwal: We have around 8 lakhs active clients. And we acquired around 6.5 lakhs clients in the current year itself and last year, we acquired 8.8 lakhs clients. Generally, what I feel is that, whenever a person opens an account, at least he will trade once or twice. So, we acquired 6.5 lakh clients and our active client base is around 8 lakhs, so does that mean only 2 lakh clients who were previously acquired were active?

Shalibhadra Shah: Activation ratio has been 26% for the new clients that we have acquired, and the overall activation ratio stands around 23%. Overall activation ratio has actually been in line with how industry has performed. Lot of broking houses have seen substantial reduction in active clients. And if you look at our numbers, relatively, we have been better in terms of the overall reductions.

Moderator: Our next question is from the line of Pujan Shah from Congruence Advisers. Please go ahead.

Pujan Shah: The first question is on the home finance business. We have diversified the borrowing profile which led to reduction in cost by 20 bps. What is the estimation of the reduction of the cost for FY24 specifically, because the yield is becoming stable and now I think the interest rate will also start declining which is what the market is estimating? So, are we estimating the spread to widen up due to the reduction of cost or we will have some improvement in yield as well?

Shalibhadra Shah: As far as the overall cost of funds for FY23 is concerned, the cost is lower because of two reasons, one is we have seen improvement in NHB borrowing mix in our overall source of funds. And secondly, the overall impact of the MCLR re-pricing has also averaged out and bulk of that would come in FY24. Opening cost of fund is around 8.25% for FY24 and we expect the cost of fund to marginally rise from here for the balance MCLR impacts. However, we have also improved our lending rates by 100 bps in two tranches, starting January 1 and April 1 of the current year. So we believe we will be able to maintain the overall NIM and spread in the business.

Pujan Shah: So if we are increasing the yield in the home finance side, just wanted to know what are your competitive advantages given the yield are so high in this business? What is the average ticket size?

Shalibhadra Shah: The average ticket size is Rs 10 lakhs. As far as the competitive advantages are concerned, so first is certainly our rates are very competitive in the market, given our ability to raise low-cost resources. Secondly, we have a very low disbursement TAT and third is our brand name. Given our brand presence across so many cities as a group, we have an edge over others.

Pujan Shah: What will be the cost-to-income trajectory for FY24 and FY25, because there is some bit of increase being seen in FY23? So what are you eyeing on for that?

Shalibhadra Shah: Cost-to-income would marginally be higher, given that we are actually investing in talent in this business. Even in the current financial year, we added employees, and this would continue over next couple of years where we would keep investing in the talent in this business. So, to that extent, cost to revenue ratio will rise. However, given the overall improvement in the growth, the NIM would continue to be stable.

Moderator: Thank you. Our next question comes from the line of Vivek Ramakrishnan from DSP Mutual Fund. Please go ahead.

Vivek Ramakrishnan: On the broking business, where will the growth come from? I asked about the net interest margin, but you've grown your book significantly, the margins you said have come down, but how does the scale-up happen from here on? Thank you.

Shalibhadra Shah: On the broking business side, the overall NII is up 24% YoY and apart from brokerage, we are also strengthening other revenue pies as well like distribution revenues. We will see a meaningful improvement in our distribution revenues, our lending book revenues, and advisory-related revenues in this business apart from the overall brokerage growth.

Derivative volumes have been growing very strong if you see YoY. We are able to improve our derivative market share by 116 bps YoY in this business. So, we see this whole traction despite the market cycles being down or up. We see a good amount of derivative pie getting more linear in terms of our revenue growth.

Moderator: Thank you. Our next question comes from the line of Kajal from ICICI Securities.

Kajal G: We have seen such a sharp surge on QoQ basis on the F&O volume, but the overall brokerage revenue has been sequentially lower. So is it the cash substitution which F&O has done or what will be broad breakup of cash and F&O in this brokerage revenue? That's one. Second, I wanted to understand if you can give more clarity on the MTM PAT, how much has come from each asset class?

And third, if we can also get something like what we have seen with Angel, which has given some very good disclosures in this quarter, like how much revenue a customer has given in the first 12 months after acquisition. So, if he gives 100 in year one, what is the year two revenue of that customer? Maybe something like that, if we can get. Those are the three questions. Thank you.

Shalibhadra Shah: Coming to the first question, cash volumes were down almost 17% on QoQ basis and that is one of the reason why the overall brokerage revenues were down almost 6% on a QoQ basis. Secondly, there's a lot of focus on quarter four on the distribution business and on the lending business and that is another reason for decline in brokerage revenue.

Coming to the mark-to-market question, on our opening investment book, return is almost 3%. So while the quarter was flat, still our book has delivered opening 3% mark-to-market gain. And what you see is also net of expenses, interest expense on our real estate investments and that is the reason you have seen, net profit of that book at Rs 50 crores. Coming to third question, there are multiple channels in our business and definitely we can separately put out that data, if you require that detail.

Kajal G: What is the overall brokerage share between cash and F&O broadly?

Ajay Menon: In terms of brokerage, share of cash market is 32% and F&O will be around 55%. If you look at overall market itself in this last quarter, it was comparatively down and the overall volumes in the cash market was down. What we try is that we are able to maintain the revenue to the extent possible that comes from the F&O side as compared to the cash side. And to that extent, we have been able to maintain the ratios. Also, the distribution revenues have gone up comparatively very well in the last quarter across different products, including insurance.

Kajal G: Sir, for the second question, what are these Rs 38 cr of expenses?

Shalibhadra Shah: That includes mainly the interest costs on the real estate developer, NCDs that we actually bear out on our balance sheet and then gradually down-sell it to our wealth clients. So what you see is while we have the interest costs on that, but bulk of the gains comes when these NCDs are actually realized as redemption premium. So, to that extent, you'll see a bump-up of the interest costs which will come in our prop treasury book.

Moderator: Our next question is from Ansuman Deb from ICICI Securities. Please go ahead.

Ansuman Deb: Good afternoon and thanks for the opportunity. My question was regarding outlook on broking business. We did a good improvement this year except quarter four, so what is the outlook in terms of broking share? And secondly, there is a dip in the PMS AUM in the wealth management. So if you, can you give some clarity on that?

Ajay Menon: I'll take the first one. As far as the broking business is concerned, as you must have seen in the last year, across brokers, the active clients have come down in a big way. We are very clearly focusing on the quality client acquisition and that benefitted us in terms of overall market share growth in F&O. And we see that this trend can improve even going further, although the focus is on quality accounts and the overall ARPU of the customers.

At the same time, the MTF book is increasing in a good way, and we can build the overall AUM based on the MTF book also. On the distribution side of the business, there's huge scope to grow there as well. Last year we had seen some good traction in the distribution business. So, overall we feel that we will be able to build traction. But as you all know, the market scenarios can always have its own end bits. So, to that extent, we'll be always careful on how to build the business going forward.

Ansuman Deb: Yes, and one follow-up on that, when the markets are not doing so well, are you seeing relatively better traction in distribution and lending business, which can lead to a stable performance irrespective of cycle? So has there been a dichotomy between how the broking revenues have spanned out and how this distribution and lending streams have performed?

Ajay Menon: So, as far as the market dynamics are concerned, the good thing is that because of the options market growing in such a big way, there is some amount of stability in the business numbers. To that extent, the brokerage is relatively stable even in a downturn market. In the margin funding book, we surely see lot of scope because of the regulation, we're seeing that the things are becoming easier to fund on the MTF side. Distribution, anyhow, penetration has been comparatively lower, and we see the potential to grow the distribution book independent of the broking. However, we have seen YoY growth in distribution business. And we see no reason why the growth cannot keep on improving at least over the next two, three years.

Ansuman Deb: And on the PMS side?

Ashish Shanker: If you look at the AUM for PMS and AIF in wealth, because we count both together, it's gone up from Rs 8,400 crores to Rs 8,600 crores. Also, if you see on the alternative space, the AUM has gone up from Rs 3,700 crores to Rs 4,400 crores. So, overall, the AUM has grown in these three categories.

Ansuman Deb: Right, so any specific information on PMS?

Ashish Shanker: AIF AUM has gone up, but PMS has been down.

Moderator Our next question comes from the line of Sahej Mittal from HDFC Securities. Please go ahead.

Sahej Mittal: Hi, good afternoon. What's your outlook for FY24 now, given that the cash volumes are already down 20% versus the kind of growth which we had seen in the derivative segment? So, do you think that in FY24, there'll be some respite in the cash segment and what is your outlook for the derivative segment?

Raamdeo Agrawal: The way markets are, with my experience, the cash volume is typically for much smaller companies, medium and small cap. When those companies will start doing well, then the economy is in second or third year of expansion. So, now this year, 2023-24 is the second year of expansion. My sense is that, as head-on effect, all the medium and small-cap companies will start seeing the benefit of the recovery of the economy and hence the earnings profile will build up for the smaller companies. A lot of ideas are coming on the desk. I think now the mood will be there to do a lot of cash trading because these companies will not be typically listed in the options and futures. My sense is that the second half or this year itself, the cash volume should pick up, basically led by mid and small caps.

Sahej Mittal: And sustainability of derivative volumes?

Shalibhadra Shah: Yes, that is sustained. Overall F&O market volumes have doubled, because more the volatility, more the growth in the F&O volumes. That's what is the case. So, first half of the year, we are projecting that F&O volume will still continue to keep growing.

Sahej Mittal: Second is, in the asset management business, if you could split out the net sales across segments, mutual funds, PMS and AIF for quarter four?

Navin Agarwal: Net sales in mutual fund was positive Rs 5.2 billion. And overall on alternate side there was Rs 2.2 billion of outflows.

Sahej Mittal: And within Rs 2.2 billion, AIF would be positive, so PMS would be more than Rs 2.2 billion of outflows.

Navin Agarwal: Yes, that's right.

Sahej Mittal: And the outlook on the wealth management business, given that we've been investing quite heavily in the wealth management business.

Ashish Shanker: The size of opportunity is large for wealth management, and we continue to invest in three areas. Basically, we continue to invest in hiring good wealth managers, in growing our client franchise and in products and platforms. So, these are the three basic growth drivers. We believe that the growth can continue into the future as well.

Sahej Mittal: Any targeted operating margins for this business?

Ashish Shanker: Currently, we continue to invest in this business so margins could be probably at the same level going forward, and then they would improve as the mix of the vintage of RM's improve. As we continue to invest in talent, the RM's in the zero to one category tend to go up. And as the RM vintage matures, you will start seeing margins improvement.

Moderator: Our next question comes from the line of Dhruvish Pujara from Premji Invest. Please go ahead.

Dhruvish Pujara: Hi. So, thanks for the opportunity. So I have two questions, first on the NSE client base which has gone down to 8 lakhs from 9 lakh sequentially. So what explains that? And how do you see this strategy going forward in the next two years in terms of client acquisitions on the broking side? And the second question is on the float income. If I understand it correctly, the FY22 float income was Rs 129 crores. So, what that number would be in FY23 and how do you see that number moving forward with the regulations coming in place? And also if you can qualitatively explain the moving parts of the float income pie.

Ajay Menon: As far as the active client is concerned, surely you have seen across the industry, there is a fall in the active client base in a very big way. Compared to that, the fall at our end is comparatively lower. But to that extent, we are only looking at onboarding more and more quality account. So we feel that this active client ratio will only improve in our case as we look forward to onboarding more and more clients which are from a higher-margin base.

We have seen in the last two-three years the client base has increased in a very big way across the industry. So there can be consolidation in this number, if you see the trend in the market and the overall market scenario. But we are very clearly focused on acquiring quality accounts.

Shalibhadra Shah: Yes, on the second question, the float income for FY23 is approximately Rs 150 crores. And in terms of the new regulation around ASBA . At this juncture the ASBA mechanism is actually optional in nature, and it will be difficult to comment at this juncture until the broad contours is published. Further given that we have larger amount of our customers in mass affluent segment, the impact of that would be minimal on us and even the UPI block size is pretty less at Rs 5 lakh. So, the mass affluent clients typically don't get fit into this account.

Secondly, in terms of the circular which had come on 29th March and even on 25th April regarding overall upstreaming of the client funds, so there would be a marginal impact of approximately Rs 5 crores per annum, because upstreaming of the bank guarantees on client funds is not permitted. As we have a very strong capitalized balance sheet, we see this impact to be very minimal on us at this juncture.

Dhruvish Pujara: So do we expect this Rs 150 crores broadly to stay as it is in FY24 apart from the Rs 5 crores which you mentioned, or do you see that marginally going down, if not going up?

Shalibhadra Shah: It may marginally go up from here because the FD rates are going up.

Moderator: Our next question comes from the line of Deepak Sonawane from Haitong Securities.

Deepak Sonawane Thank you for the opportunity. I have only one question that is on broking industry. Especially for us, if you see that over the last four, five quarters or even if you compare FY23 versus FY22, we have seen a very sharp drop in our gross yield, right, for core broking grossing. Cash segment at least has been holding up really well, but for F&O, we have seen a very sharp drop in gross yield. That could be materially impacted by very high growth in volumes. But I just wanted to understand whether there is a voluntary drop in yields, because of competitive pressure. So, can you just comment on this?

Shalibhadra Shah: So on the yields actually if you see, the drop is only on the options side of the business. So for us, the other segments have not seen any drop in the yields over many quarters. In options, we have one of the highest ARPUs in the industry. We've seen some bit of reduction because one is market volumes are growing. But we are also improving our market share. So there is moderation in the overall option yields which has happened. It's more across the industry, given the low rates which is there, whereas still we have one of the highest revenues per order in the industry.

Deepak Sonawane: Can you tell us how much yield moderation has happened over the last one year.

Shalibhadra Shah: Overall, there would be moderation of almost one-third. I can't specifically call-out that number, but that's the broad number.

Moderator: Our next question comes from the line of Vinod Chandra Agarwal, an Individual Investor. Please go ahead.

Vinod Agarwal: I was trying to understand over client activation. So in that regard, sir, you said like we have 55 lakhs of total clients, 35 lakh broking clients. So can you help me understand that where is this gap of 20 lakhs clients?

Shalibhadra Shah: Yes, so those 20 lakh customers are customers of our asset management business predominantly on our mutual funds and alternate assets.

Vinod Agarwal: Okay, and 8 lakh active client sits within the 35 lakh clients, right?

Shalibhadra Shah: Yes, that's right.

Vinod Agarwal: Only brokerage or distribution is also considered as an active client? I mean, some companies are in the capital market directly, but they might be doing the investment in the mutual funds and other distribution products.

Shalibhadra Shah: So this 8-lakh number is actually the NSE active clients, it only pertains to the brokerage business. On the distribution business, the overall penetration is 16% cross-sell. So on this 35-lakh client base, we have actually cross-sold to 16% of the total customers, at least, one distribution product.

Vinod Agarwal: So, does it mean like on overall, if we consider mix of both of them and consider, what could be the number? I mean, 15% if we take, then only, it is around 4 lakh, 5 lakh clients additionally? Is that the right number?

Ajay Menon There'll be an overlap on those customers who are doing, broking customers will also be doing the distribution business. So it will not be exactly the additional customers to that extent. It'd be some 10% that might be separate who have not done broking.

Navin Agarwal: Yes, and like the broking business, there if the customer does not trade in a year, it is inactive, right? In the wealth management business or in the asset management business, if you're earning trail income or annuity income, they don't have to trade. So, actually 100% of AMC clients and 100% of wealth clients and 100% of private equity clients and real-estate clients and all those distribution clients are active, because the firm's earning revenues every single day. So I mean, you have the actual broking numbers, all other clients of all of those businesses are actually active clients.

Vinod Agarwal: Our advisor would have talked to them who are inactive. What reply our advisors get from clients, like they're not interested or they have found a low cost broker, I'm just trying to understand the effectiveness of our advisors.

Navin Agarwal: It could be a combination of all that you mentioned, and it could be also related to the circumstances of the client themselves. So we don't have really a breakdown of the various reasons why a client is inactive. All I can tell you is, we are trying to improve the activation ratio. There is a budget and resource allocation to improve the activation of the client across all the businesses and to increase the cross-sell as well.

Vinod Agarwal: How many numbers of clients are currently using MTF and what is the median ticket size?

Shalibhadra Shah: There are almost 8,000 customers and the size will be Rs 50 lakh- Rs 1 crore.

Vinod Agarwal: So, that seems like most of them are HNI clients. On this real estate fund side, we were about to launch this fund. So what is the status on that?

Shalibhadra Shah: Yes, we would be launching our 6th real estate fund in the course of this financial year. We've already got the SEBI permissions to float this fund and the team is working on the broad contours of that.

Vinod Agarwal: And this real estate fund is mostly like a debt product, or it is equity product?

Shalibhadra Shah: It is used by developers for both land stage and finance transactions.

Moderator: Thank you. Ladies and gentlemen, as there are no further questions from participants, I now hand the conference over to Mr. Shalibhadra Shah for closing comments.

Shalibhadra Shah: On behalf of Motilal Oswal Financial Services, I would like to thank every participant to attend this conference call for Q4FY23. In case of any further queries, please do get in touch with me or our Investors Relations team. Thank you and have a good day.